

SUBCOMMITTEE NO. 4

Agenda

Michael Machado, Chair
Robert Dutton
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Thursday, March 29, 2007
10:00 a.m.
Room 112

Consultant: Brian Annis

Transportation

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2240 Department of Housing and Community Development

A primary objective of the Department of Housing and Community Development (HCD) is to expand housing opportunities for all Californians. The Department administers housing finance, economic development, and rehabilitation programs with emphasis on meeting the shelter needs of low-income persons and families, and other special needs groups. It also administers and implements building codes, manages mobilehome registration and titling, and enforces construction standards for mobilehomes.

The Governor proposes \$968.6 million (\$15.6 million General Fund) and 597.2 positions for the department – an increase of \$314.3 million (48 percent) and 70.3 positions.

The majority of the Department's expenditures are supported by general obligation bond revenue. The budget includes \$58 million from the Emergency Shelter Trust Fund Act of 2002 (Prop 46) – down by \$170.8 million from 2006-07 due to the full expenditure of bond funds for some programs. The budget includes \$659.4 million from the Housing and Emergency Shelter Trust Fund Act of 2006 (Prop 1C). Portions of Prop 1C funds are continuously appropriated, and the Department is using this existing authority to expend \$161 million in Prop 1C funds in 2006-07.

The second largest revenue source is federal funds, estimated at \$174.5 million in 2007-08, which is about the same as 2006-07. Remaining expenditures of about \$77 million are covered by the General Fund (\$15.6 million), fees, and other miscellaneous revenues.

Issues proposed for Consent / Vote-Only

- 1. Codes and Standards Automated System – IT Support Shift (BCP #2).** The Administration requests a workload shift from contractor staffing to State staffing (shift of \$557,000, no net change in funding) for ongoing support of the Codes and Standards Automated System (CASAS). The CASAS supports the business processes of the Division of Codes and Standards. This BCP would establish three new positions, which would be funded by funds redirected from the external contract. The Department indicates that this shift would result in a \$144,000 savings which HCD proposes to retain in their budget and use for CASAS enhancement projects.
- 2. Factory-Built Housing Workload - Staffing (BCP #6).** The Administration requests \$287,000 (special funds) and three new positions to provide oversight of third-party inspections and certification of an increased number of factory-built housing. The Department indicates this augmentation can be accomplished without an increase in fees. The BCP includes statistics showing significant growth in the use of factory-built housing in California.

- 3. Information Technology Technical Support Unit – Staffing (BCP #10).** The Administration requests \$174,000 (various funds – about \$16,000 General Fund) and 1.0 System Software Specialist for personal computer support workload. Included in this request is \$50,000 to hire part-time student assistants. HCD indicates the workload has expanded as new technologies are adopted including BlackBerrys, remote access, and web-based application access for 60 field staff.

- 4. Administration – Staffing (BCP #11).** The Administration requests \$116,000 (various funds – no General Fund) and 1.0 position to handle workload increases in the Budget and Contracts Office. The Department indicates loan and grant contracts have become more complex and the number has increased to an annual average of about 1,106 contracts over the past three years, versus about 955 contracts over the prior three-year period. Additionally, many contracts cover multiple years and require ongoing monitoring.

Staff Recommendation: Approve the issues on the consent / vote-only list.

Vote:

Issues for Discussion / Vote:

- 5. Housing and Emergency Shelter Trust Fund Act of 2006 (Prop 1C).** Prop 1C provides for a general obligation bond issuance not to exceed \$2.85 billion. The Governor proposes to expend \$653.0 million of Prop 1C revenues in 2007-08 (excluding \$6.4 million and 45 new positions for administration). Using existing expenditure authority, the Department plans to spend \$160 million in 2006-07 (excluding \$1 million for administrative costs), for a combined two year total of \$820 million. Some Prop 1C programs are already continuously appropriated and other programs require a Budget Act appropriation to authorize expenditure. The Administration has submitted statutory language, which is currently being discussed in policy committees, to implement certain Prop 1C programs. The chart below outlines proposed Prop 1C expenditures by category and indicates whether each program will be administered by the Housing and Community Development (HCD) Department, or by the California Housing Finance Authority. Dollars are in thousands and 2006-07 and 2007-08 allocations exclude administrative costs.

Proposition 1C Category	2006-07 Allocations	2007-08 Allocations	Total Prop 1C	Approp Type	Budget
<u>Homeownership Programs</u>					
CalHome	\$35,000	\$55,000	\$290,000	Continuous	HCD
CA Homeownership Program (BEGIN)	0	40,000	125,000	Budget Act	HCD
Self-Help Housing Program	0	3,000	10,000	Continuous	HCD
CA Homebuyers Down-payment Assistance Program	0	15,000	100,000	Continuous	CalHFA
Residential Development Loan Program	0	15,000	100,000	Continuous	CalHFA
Affordable Housing Innovation Fund	0	15,000	100,000	Budget Act	HCD
<u>Multifamily Rental Housing Program</u>					
General	70,000	140,000	345,000	Continuous	HCD
Supportive Housing	20,000	80,000	195,000	Continuous	HCD
Homeless Youths	15,000	15,000	50,000	Continuous	HCD
<u>Other Programs</u>					
Serna Farmworker Loans/Grants	20,000	40,000	135,000	Continuous	HCD
Emergency Housing Assistance	0	10,000	50,000	Continuous	HCD
Infill Incentive Grants	0	100,000	850,000	Budget Act	HCD
Transit Oriented Development	0	95,000	300,000	Budget Act	HCD
Housing Urban-Suburban and Rural Parks	0	30,000	200,000	Budget Act	HCD
TOTAL	\$160,000	\$653,000	\$2,850,000		

Staff Comment: The Senate Transportation and Housing policy committee held a hearing on statutory changes to implement new Prop 1C programs, and several related bills are in print (including SB 46 – Perata; SB 522 – Dutton; and SB 546 – Ducheny; among others). Since these statutory changes are on the policy track instead of the budget track, staff recommends that the Subcommittee focus on the more fiscal aspects of Prop 1C implementation, such as minimizing support costs and appropriation levels. Generally, the Administration proposes to expend Prop 1C funds over a 3-to-5 year period depending on the program. For programs with a budget bill appropriation, HCD is requesting appropriations to cover only 2007-08 expenditures (the Department of Transportation is requesting appropriations to cover anticipated expenditures over a three-year period).

Issues for Discussion: Staff recommends the Subcommittee hear from the Administration and the LAO on the following issues:

- What is the appropriate level of funding for support costs – a level that minimizes administrative costs but allows for appropriate oversight? Note, HCD suggests total program overhead can be kept below 5 percent, which is similar to the level used for the Proposition 46 programs. (See also attachment I from HCD at the back of this agenda)
- For each bond program, what is the appropriate number of cycles, the schedule for the cycles, and the approximate amount of funding for each cycle? Has the Department made any changes to its Prop 1C proposals relative to what is included in the Governor's Budget? (See also attachment II from HCD at the back of this agenda)

Staff Recommendation: Keep this issue open – implementing policy legislation could affect the timing of bond expenditures and appropriation levels.

- 6. Proposition 1C Staffing and Associated Administrative Costs (BCP #3).** The Administration requests \$6.4 billion (various funds) and 45.0 new positions to perform workload associated with Proposition 1C. The request includes out-year budget adjustments for annual changes in workload (the 2008-09 request is for \$10.5 million and 71.0 positions). HCD data suggest the overall administrative cost over the life of Prop 1C programs will average about 4.8 percent, which is under the 5.0 percent level deemed acceptable.

Staff Recommendation: Keep this issue open – implementing policy legislation could affect the staffing need in 2007-08.

- 7. Workload Shift from Temporary Help to Permanent Positions (BCP #1).** The Administration requests 18 new positions to be funded within existing budgeted resources with redirected temporary help funding. The Department indicates that Section 31.60 of the 2002 Budget Act and Control Section 4.10 of the 2003 Budget Act eliminated 57 positions within HCD. However, the workload did not diminish and not all of the associated funding was eliminated from HCD's budget. This BCP would reestablish 18 of the 57 positions. The Department would use existing temporary help dollars and there would be no net funding increase.

Staff Comment. This request appears to be a "truth-in-budgeting" request, because HCD already has the associated staff, just not the position authority. The request includes workload data indicating ongoing need for these positions.

Staff Recommendation: Approve this request.

Vote:

- 8. Enterprise Zone Program (BCP #4).** The Administration requests a fund shift of \$697,000 (General Fund) and 4.0 new positions to increase technical assistance and program support to the Enterprise Zones, Targeted Tax Area, Manufacturing Enhancement Areas and Local Military Base Recovery Areas. HCD indicates that changes in federal regulations allow it to access additional federal funds of \$697,000 in the Community Development Block Grant Program (CDBG) and then shift the same amount of General Fund support to the Enterprise Program (resulting in no net cost to the General Fund). The increased staffing in the Enterprise Zone program would allow for additional audit and support activities. Increased fee revenue (related to SB 763 [Ch. 634, St. of 2006, Lowenthal]) would provide an additional \$50,000 for a total increase in Program funding of \$747,000.

Staff Recommendation: Approve this request.

Vote:

2260 California Housing Finance Agency

The California Housing Finance Agency (CalHFA) was statutorily chartered in 1975 to be the state's affordable-housing bank. CalHFA administers loan programs to preserve and construct affordable multifamily housing, administers loan and mortgage insurance programs to assist first-time homebuyers, and administers special loan programs that support groups such as Habitat for Humanity. The majority of CalHFA's programs are funded through revenue bonds that do not depend upon the faith, credit, or taxing power of the State of California. However, two propositions (Proposition 46 in 2002, and Proposition 1C in 2006) provide general obligation bond funds to support the Downpayment Assistance Program and the Residential Development Loan Program.

The Governor's Budget reflects 2007-08 expenditures of \$36.6 million and 277.4 positions for CalHFA – identical amounts to the budget adopted by the CalHFA board for 2006-07. The expenditures include administrative expenditures and exclude loans and insurance products. The 2007-08 budget figures are considered a placeholder until the CalHFA Board adopts a 2007-08 budget at the May 10, 2007, meeting. CalHFA funds are continuously appropriated and no appropriations appear in the annual budget bill.

Issues for Discussion

1. **2007-08 Budget (Informational Issue).** The Governor's budget reflects expenditures for administration of \$36.6 million in both 2006-07 and 2007-08. According to the 2006-07 Five Year Business Plan, lending and insurance outlays are annually in the range of \$2.8 billion, as follows:

(\$ in millions)	2006-07	2007-08
Homeownership Programs	\$1,585	\$1,585
Insurance Services	\$841	\$841
Multifamily Programs	\$344	\$306
Special Lending Programs	\$41	\$41
TOTAL	\$2,811	\$2,773

Staff Comment: As indicated above, the CalHFA Board should adopt a 2007-08 budget at the May 10, 2007, meeting. CalHFA has a longstanding practice of using the enacted budget as a placeholder for the budget year. However, Health and Safety Code requires a "preliminary" budget by December 1.

Health & Safety Code 50913. For its activities under this division, the executive director shall prepare a preliminary budget on or before December 1 of each year for the ensuing fiscal year to be reviewed by the Secretary of the Business and Transportation Agency, the Director of Finance, and the Joint Legislative Budget Committee.

Since the Legislature does not get an updated budget for CalHFA until mid-May, legislative fiscal staff is unable to analyze the preliminary budget and report findings to the Subcommittee during the regular spring budget process. Other “off-budget” departments, such as the State Compensation Insurance Fund, do provide a preliminary budget for inclusion in the Governor’s January 10 Budget.

Staff Recommendation: Staff recommends that the Subcommittee request that CalHFA presents an *updated* and *realistic* 2008-09 budget by December 1, 2007, to comply with Section 50913 requirements. The Subcommittee should also request a copy of the CalHFA Board-adopted 2007-08 budget on or around May 10, so it can be aware of the changes relative to the Governor’s January 10 Budget display.

- 2. Proposition 1C (Informational Issue).** The Governor’s Budget indicates CalHFA will expend \$30 million of \$200 million available from Proposition 1C in 2007-08. Of the \$30 million, \$15 million would support the Down-Payment Assistance Program and \$15 million would support the Residential Development Loan Program. Recent discussions with CalHFA suggest 2007-08 Prop 1C expenditures may be closer to \$45 million.

Issues for Discussion: Staff recommends the Subcommittee hear from the Administration and the LAO on the following issues:

- For each bond program, what is the appropriate level of expenditures in each of the next five years? Has the Department made any changes to its Prop 1C expenditure plans relative to what is included in the Governor’s Budget?
- What is the appropriate level of funding for support costs – a level that minimizes administrative costs but allows for appropriate oversight? Note, CalHFA suggests total program overhead can be kept below 5 percent, which is similar to the level used for Proposition 46 programs.

Staff Recommendation: Since these funds are continuously appropriated, no action is needed.

- 3. Non-Traditional Mortgage Products (Informational Issue).** The Subcommittee discussed non-traditional mortgage products with the Department of Real Estate, the Department of Financial Institutions, and the Department of Corporations, at a recent hearing.

Staff Comment. CalHFA does offer some non-traditional products, but indicates they are not a sub-prime lender. For example, CalHFA offers an Interest-Only-Plus (IOP) product that is interest only for 5 years and then has a fixed interest rate for the remaining 30 years of the loan.

Staff Recommendation: This is an information issue – no action is necessary.

2600 California Transportation Commission

The California Transportation Commission (CTC) is responsible for the programming and allocating of funds for the construction of highway, passenger rail, and transit improvements throughout California. The CTC also advises and assists the Secretary of the Business, Transportation and Housing Agency and the Legislature in formulating and evaluating State policies and plans for California's transportation programs.

The Governor proposes total expenditures of \$5.7 million and 17.6 positions for the CTC (no General Fund). The only budget change proposal is an augmentation of \$289,000 and 2 positions to perform workload associated with the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Prop 1B). The budget also reflects \$3 million in local assistance expenditures related to Proposition 116 (Rail Transportation Bond Act of 1990).

Discussion / Vote Issues

1. **The Transportation Funding Picture (Informational).** The Legislative Analyst and the California Transportation Commission are prepared to make short presentations concerning the current transportation funding picture and describe what the anticipated funding level suggests for mobility improvements.

Staff Recommendation: Informational item – no action needed.

2. **Proposition 1B Workload - New Positions:** The Administration requests \$289,000 (Proposition 1B bond funds) and 2.0 positions to perform workload associated with two components of Prop 1B: the Corridor Mobility Improvement Account (CMIA) and the Trade Corridor Improvement Fund (TCIF).

LAO Recommendation: In the Analysis of the 2007-08 Budget Bill, the Legislative Analyst recommends that the CTC be designated by the Legislature to perform ongoing oversight of all bond related activities. This would likely require a budget augmentation (beyond the augmentation proposed by the Administration) to hire additional staff or contract out for services.

Staff Comment: Staff understands the Administration is still reviewing the Prop 1B staffing with the CTC and may come forward with a Finance Letter to adjust the current request.

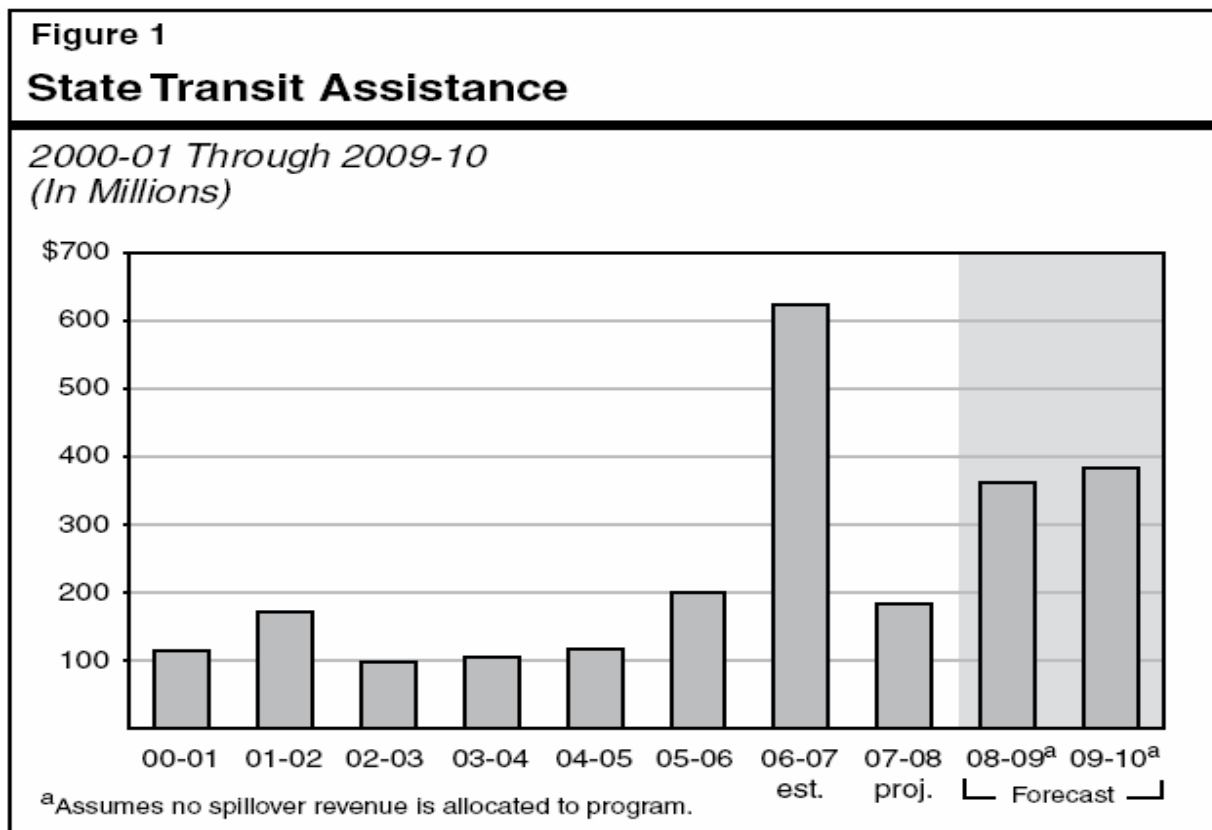
Staff Recommendation: Keep issue open, pending additional information from the Administration.

2640 Special Transportation Programs

The State Transit Assistance (STA) budget item provides funding to the State Controller for allocation to regional transportation planning agencies for mass transportation programs. Revenue traditionally comes from the sales tax on diesel fuel and a portion of the sales tax on gasoline (including a Proposition 42 component), and is available for either operations or capital investment. With the passage of the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Prop 1B), bond funds are also available for this program. However, bond funds may only be used for capital investment.

The Governor proposes funding of \$784.7 million for State Transit Assistance – an increase of \$160.9 million. This proposal includes \$600 million in Prop 1B bond funds and \$185 million in traditional fuel sales tax funds.

The chart below, from the LAO's *Analysis of the 2007-08 Budget Bill*, provides a historical look and future projection of baseline funding for this item (assuming the Governor's proposals are adopted, and excluding all Proposition 1B bond funds).



Issue for Discussion / Vote:

- 1. Shift Spillover Revenue from STA to Education (Trailer Bill Language).** The Administration proposes a permanent shift of “spillover” revenue from STA to the Home to School Transportation Program currently funded as a Proposition 98 General Fund obligation. While the proposed STA budget is up overall, the STP would actually receive a \$411 million cut relative to what current statute dictates. This program, under statute, would receive 50 percent of specified “spillover” gasoline sales tax revenue; which, with the proposed bond revenue, would total \$1.196 billion. The Administration indicates this \$411 million reduction ties to an overpayment of \$102 million in 2006-07 and the STA’s share of 2007-08 spillover revenue, which is estimated at \$309 million. The spillover reduction is proposed to be an ongoing budget reduction and proposed trailer bill language would amend statute to end the transfer of 50 percent of spillover revenue to this item. This proposal is part of the larger Administration proposal to use \$1.1 billion in Public Transportation Account revenues for General Fund relief. The overall proposal is discussed in the Caltrans section.

Staff Comment: The broader Spillover / Public Transportation Account proposal is an issue in the Caltrans section of this agenda. The Subcommittee may want to hear public testimony specific to the STA part of this proposal here, and receive testimony on the broader proposal when the Caltrans item is discussed.

Staff Recommendation: Keep this issue open. The Administration will have updated revenue numbers with the May Revision.

2660 Department of Transportation

The Department of Transportation (Caltrans) constructs, operates and maintains a comprehensive state system of 15,200 miles of highways and freeways and provides intercity passenger rail services under contract with Amtrak. The Department also has responsibilities for airport safety, land use, and noise standards. Caltrans' budget is divided into six primary programs: Aeronautics, Highway Transportation, Mass Transportation, Transportation Planning, Administration, and the Equipment Service Center.

The Governor proposes total expenditures of \$12.760 billion (\$1.558 billion General Fund) and 21,758.3 positions, an increase of \$1.541 billion (14 percent) and 68.4 positions. The increase is primarily due to revenue from the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Prop 1B). Note, the Administration is also requesting a supplemental appropriation for 2006-07 to allocate \$523 million in Prop B bond funds in the current year. Caltrans will submit an update to the staffing request for Prop 1B workload and other project workload with the May Revision of the Governor's Budget.

Caltrans Budget Summary

Expenditure by Program (dollars in thousands)	2006-07	2007-08	\$ Change	% Change
Aeronautics	\$8,501	\$8,693	\$192	2.3
Highway Transportation	9,554,208	11,336,749	1,782,541	18.7
Mass Transportation	1,113,002	873,938	-239,064	-21.5
Transportation Planning	197,411	179,476	-17,935	-9.1
Administration	345,599	360,942	15,343	4.4
Total	\$11,218,721	\$12,759,798	\$1,541,077	13.7

Expenditure by Category (dollars in thousands)	2006-07	2007-08	\$ Change	% Change
Personal Services	\$1,905,825	\$2,072,361	\$166,536	8.7
Operating Expenses and Equipment	1,582,737	1,565,112	-17,625	-1.1
Tort Payments	53,556	53,556	0	0.0
Debt Service (GARVEE bonds)	72,899	72,899	0	0.0
Local Assistance	2,957,970	3,193,413	235,443	8.0
Capital Outlay - Office Buildings	0	62,337	62,337	0.0
Capital Outlay - Specialty Buildings	54,742	119,909	65,167	119.0
Capital Outlay - Transportation Projects	4,545,306	5,589,211	1,043,905	23.0
Unclassified	45,686	31,000	-14,686	-32.1
Total	\$11,218,721	\$12,759,798	\$1,541,077	13.7

Expenditure by Fund Type (dollars in thousands)	2006-07	2007-08	\$ Change	% Change
General Fund	\$2,642,668	\$1,558,396	-\$1,084,272	-41.0
Federal Trust Fund	3,484,477	4,054,454	569,977	16.4
Proposition 1B Bond Funds	523,000	1,491,750	968,750	185.2
Other Special Funds	3,470,769	4,457,280	986,511	28.4
Reimbursements	1,097,807	1,197,918	100,111	9.1
Total	\$11,218,721	\$12,759,798	\$1,541,077	13.7

Issues Proposed for Consent / Vote-Only

- 1. Eliminate Commercial Vehicle Registration Act (CVRA) Report (Trailer Bill Language).** The Commercial Vehicle Registration Act of 2001 requires the Department of Motor Vehicles, in consultation with the Department of the California Highway Patrol, the Department of Transportation, the State Board of Equalization, and the commercial vehicle industry, to review and report on or before January 1, 2003, and annually thereafter, to the Legislature its findings and, if applicable, make any recommendations as to the necessary adjustments in the fee schedule, to ensure that revenue neutrality is obtained and maintained for all affected entities. The most recent report finds that revenue neutrality has been achieved and no further actions are required.
- 2. Environmental Mandates (BCPs #2B and #8).** The Administration submitted two budget requests related to environmental mandates. The Department indicates it would face severe penalties for non-compliance.
 - Budget Change Proposal #2B requests \$1.4 million (annually for five years) to purchase alternative fuel fleet equipment to comply with ongoing federal, State, and local air quality mandates. Funding would provide for the marginal cost of purchasing alternative-fuel vehicles instead of diesel or gasoline vehicles.
 - Budget Change Proposal #8 requests \$11.8 million in 2007-08 to comply with two air quality mandates adopted by the California Air Resources Board (ARB). The cost varies each year, but over five years is estimated at \$27.8 million. Funding would allow for the purchase of exhaust filter traps for heavy-duty trucks and the replacement of portable engines and other equipment.
- 3. Materials and Service Cost Increase (BCP #3).** The Administration requests an ongoing augmentation of \$12.2 million (State Highway Account) to address higher Maintenance Program material costs (\$9.3 million) and higher rates for interagency services provide by the California Highway Patrol (CHP) (\$3.0 million). The Department indicates its current materials base budget is \$14.0 million and that the Construction Price Index has risen 66 percent since the last inflation increase was provided. The CHP provides increased patrol activity in Caltrans highway maintenance zones as part of the Maintenance Zone Enhanced Enforcement Program (MAZEEP). The program is designed to enhance the safety of California Department of Transportation (Caltrans) workers and contractors while they perform road maintenance activities. The proposed CHP budget (BCP #11) includes a concurrent augmentation for this program.

Background / Detail: Caltrans indicates that 166 employees have been killed on the job since 1924. One of the primary causes of these deaths is errant drivers. Under the program, CHP Officers work overtime to provide roving patrols, stationary patrols, traffic control, and other assignments near Caltrans work zones. Caltrans

proposes an increase in billable hours of 5,770 (to 73,306 hours per year). The remainder of the \$3.0 million cost increase for MAZEPP is driven by recent salary increases for CHP Officers.

4. **Groundwater Monitoring – Underground Storage Tank Sites (BCP #7).** The Administration requests a five-year augmentation of \$1.7 million (State Highway Account) to staff non-project-related underground storage tank monitoring activities to bring Caltrans facilities in compliance with federal and State regulations. The Department indicates it is currently out of compliance with groundwater monitoring requirements at Caltrans maintenance facilities that formerly had leaking underground liquid storage tanks. The State Water Resources Control Board and Regional Water Quality Control Boards are the regulating entities and can impose fines ranging from \$500 to \$5,000 per day per site.

Background/Detail: Monitoring activity includes ground water monitoring, remediation system monitoring, and eventual system decommissioning. When individual site compliance is attained, as determined by the regulatory agency, monitoring activities are stopped, and funding is no longer required. Staffing needs would be reassessed after five years to determine what future monitoring remains to be completed. Funding was included in the Department's budgets for removal of underground storage tanks through 2003-04, when the last known tank was removed. This is the first Caltrans request for funding for the monitoring activity.

5. **Program / Funding Realignment (BCP #10).** The Administration requests to transfer the Headquarters Communication Center (HCC) staff and resources from the Division of Maintenance to the Division of Traffic Operations (8.0 positions and \$1.4 million). Additionally, the Administration requests to transfer funding of the Division of Planning's Project Initiation Document (PID) function from federal funds to the State Highway Account (\$6.8 million).

Background/Detail: The HCC is the primary distribution point for Caltrans traveler information to the public. Among other duties, HCC operates the toll-free phone line that provides the public information on current road conditions. Caltrans indicates HCC is more appropriately placed in the Division of Traffic Operations, which is the lead division for traveler information. The PID is an early project planning document that contains a cost, scope, and schedule. The Department indicates the PID function is no longer eligible for federal funding. The federal funds would not be lost, but rather shifted to other eligible expenditures.

6. **Prevailing Wage Enforcement (BCP #11).** The Administration requests \$313,000 (State Highway Account) and 4.0 new positions to perform prevailing wage enforcement for highway maintenance service contractors. Caltrans indicates prevailing wage requirements in state law are applicable to maintenance service

contracts such as weed abatement, debris removal, and mowing. Prior multi-year contracts did not include this requirement and that is why the workload is increasing.

Background/Detail: The Department indicates the new positions would train compliance reviewers, conduct contractor prevailing wage compliance reviews of payroll, and perform on-site investigations. According to Caltrans, the Department's responsibilities in this area are based on California Labor Code, California Code of Regulations, and the Code of Federal Regulations.

7. **Increased Amtrak Contract (BCP #16).** The Administration requests a one-time augmentation of \$6.6 million (Public Transportation Account) due to the cost of a new contract with Amtrak for the three State-funded inter-city rail routes (the Pacific Surfliner Route running from San Diego to Los Angeles and San Luis Obispo; the San Joaquin Route running from the Bay Area/Sacramento to Bakersfield; and the Capitol Corridor Route running from San Jose to Oakland and Sacramento/Auburn). Caltrans indicates that Amtrak is unwilling to absorb additional cost increases for fuel, labor, and general inflations (the State's costs have not increased in five years). The funding is requested as one-time because negotiations are still ongoing with Amtrak.

8. **Regional Blueprint Grant Program (BCP #25).** The Administration requests \$5 million (federal funds) for year three of a three-year federal program that provides \$5 million annually for grants to local governments for long-term blueprint planning. Caltrans indicates these funds augment the current efforts of local planning entities through improved transportation modeling, simulation of alternate future growth patterns, and enhanced public participation.

Background / Detail: The Administration requested permanent authority for this expenditure through a 2005-06 Finance Letter. The Legislature changed the authority to two-year limited term and adopted supplemental report language requiring a report by January 10, 2007, describing the criteria used to award the grants; a description of the grant process; a description of activities funded; and an analysis of how the funds were expended in the first year of the program. The report was provided by the due date and no concerns have been raised over the expenditure of funds from 2005-06.

- 9. Oakland District Office Building Seismic Retrofit (CO BCP #1).** The Administration requests \$62.3 million (State Highway Account) to fund the construction-phase of the Oakland District Office building seismic retrofit. This retrofit would upgrade the building from a seismic Risk Level V to a Risk Level III, which is consistent with the State seismic program performance standards. Last year, the Legislature approved funding of \$44.3 million for the construction phase of this project. The lowest bid exceeded estimates by \$16.0 million, and with the revised contingency and other changes, the new estimate is \$18.0 million higher than last year's estimate. The \$44.3 million approved last year would revert and the new funding of \$62.3 million would include a \$3.4 million contingency.

Background / Detail: The building was constructed in 1991 and was designed utilizing the seismic provisions of the 1988 Uniform Building Code. While it is surprising that a building constructed in 1991 would rate a seismic level V, Caltrans reports that designers and construction firms associated with the 1991 project bear no liability, since the building was constructed to the codes at the time. Seismic research that occurred after the 1991 Northridge earthquake led to a revised understanding of the motion of earthquakes and this resulted in a change in the seismic risk level of certain buildings.

Funding of \$1.3 million was approved in the 2004 Budget Act to fund preliminary plans for this project, and funding of \$2.2 million was approved in the 2005 Budget Act for working drawings. The construction cost estimate has been revised upward from \$33.0 million in 2004-05, to \$44.3 million in 2005-06, to \$62.3 million today. The first escalation was due to more seismic remediation work being required than originally anticipated. The second escalation is due to bids exceeding estimates.

Staff Recommendation: Approve the issues on the consent / vote-only list.

Vote:

Issues for Discussion and Vote:

10. Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Prop 1B) Prop 1B provides for a general obligation bond issue not to exceed \$19.925 billion. The budget includes appropriations totaling \$7.685 billion in Prop 1B bond funds, although only \$2.789 billion is expected to be allocated, or committed, in 2007-08. Additionally, the Administration will be requesting a supplementary appropriation of \$523 million to support Prop 1B allocations in 2006-07. Dollars below are in thousands.

Proposition 1B Category	2006-07 Allocations	2007-08 Allocations	2007-08 Appropriations	Total 1B Amount	Budget
Corridor Mobility Improvement Account (CMIA)	\$100,000	\$317,000	\$2,119,000	\$4,500,000	Caltrans
Transit	0	600,000	1,300,000	3,600,000	State Trans Assistance
State Transportation Improvement Program (STIP)	262,000	340,000	1,035,000	2,000,000	Caltrans
Local Streets & Roads	0	600,000	1,050,000	2,000,000	Shared Revenues
Trade Infrastructure	15,000	170,000	680,000	2,000,000	Caltrans
State Highway Operations and Preservation Program (SHOPP)	141,000	403,000	518,000	750,000	Caltrans
State/Local Partnership	0	170,000	502,000	1,000,000	Caltrans
Grade Separations	0	55,000	174,000	250,000	Caltrans
State Route 99 Improvements	0	28,000	171,000	1,000,000	Caltrans
School Bus Retrofit	0	97,000	97,000	200,000	Air Resources Board
Local Bridge Seismic Retrofit	5,000	9,000	39,000	125,000	Caltrans
Intercity Rail*	0	0	0	400,000	na
Transit Security*	0	0	0	1,000,000	na
Trade Infrastructure Air Quality*	0	0	0	1,000,000	na
Port Security*	0	0	0	100,000	na
TOTAL	\$523,000	\$2,789,000	\$7,685,000	\$19,925,000	

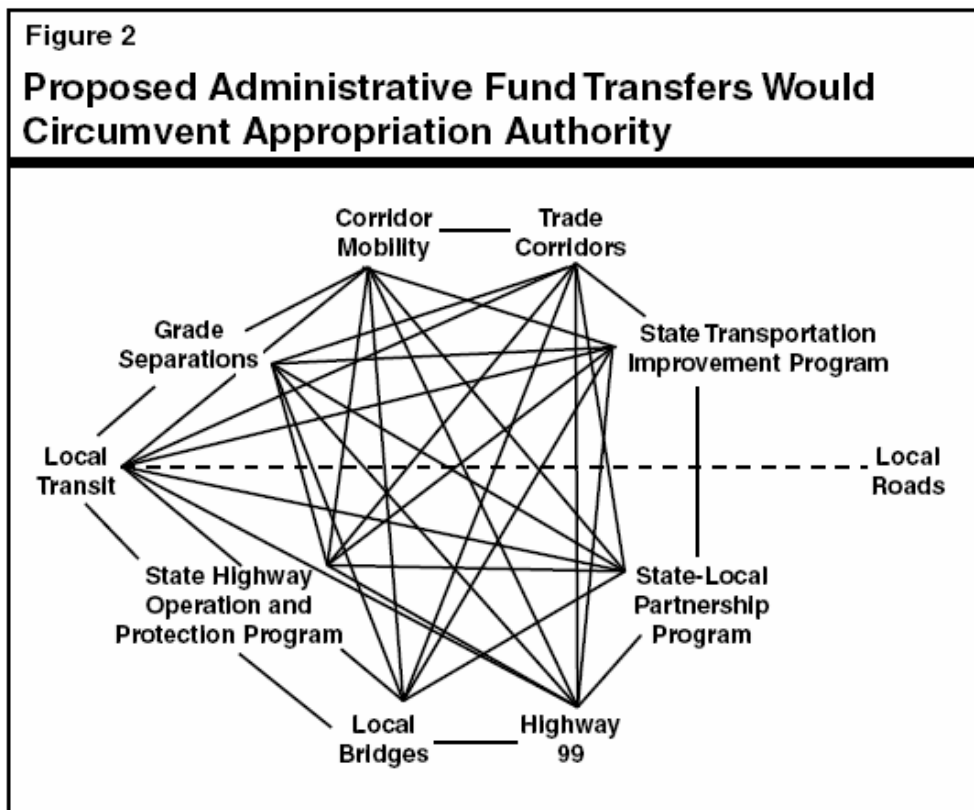
* No appropriations are requested in the Governor's Budget for these programs – the Administration indicates it is still considering program implementation approaches. Spring Finance Letters may request funding for these programs.

While many past bond revenues have been continuously appropriated upon bond passage, Prop 1B funds require an appropriation by the Legislature to expend the funds. The Administration is requesting an appropriation level that will cover anticipated expenditures through 2009-10. This means that the Administration would not have to come forward with a Prop 1B appropriation request in either the

2008-09 or 2009-10 budgets. Alternatively, the Legislature could decide to appropriate only the amount necessary for 2007-08 expenditures or appropriate all \$19.9 billion in Prop 1B bond funds this year. The Administration has submitted statutory changes to implement certain Prop 1B programs – these proposals and alternative proposals are currently under consideration in policy committees.

The Governor's revised Strategic Growth Plan includes a request for \$29.4 billion of new general obligation bonds and \$13.9 billion of additional lease-revenue and self-liquidating revenue bonds for the 2008 and 2001 ballots in the areas of education, public safety, and other infrastructure. No additional transportation-related bonding (beyond that already authorized by Prop 1B) is included in the Governor's Strategic Growth Plan.

LAO Recommendations: In the *Analyses of the 2007-08 Budget Bill*, the Legislative Analyst recommends that the Legislature maintain oversight for bond programs by appropriating funds annually (as opposed to the three-year appropriation proposed). The LAO recommends the Administration provide the Legislature a list of potential projects by May 1, 2007, so the 2007-08 funding need can be assessed – this list should additionally identify 2006-07 projects proposed for a funding allocation via a supplemental appropriation bill. Finally, the LAO recommends deletion of budget bill language that would allow the Administration to shift appropriation authority among bond programs. Figure 2 from the *LAO Analysis* is copied below to illustrate the requested transfer flexibility.



Staff Comment: Senate policy committees have held two extensive hearings on statutory changes to implement Proposition 1B. Staff recommends that the Subcommittee focus on the more fiscal aspects of Prop 1B implementation, including appropriation levels and budget bill language.

Issues for Discussion: Staff recommends the Subcommittee hear from the Administration and the LAO on the following issues:

- For each bond program, what is the status of program guidelines and project readiness to actually expend bond funds in 2006-07 and 2007-08?
- Will the Administration provide a list of potential projects for both 2006-07 and 2007-08, by May 1, 2007, as recommended by the LAO?
- Why does the Administration feel it needs a three year appropriation and authority to shift appropriation authority across bond programs? (The LAO recommends rejection of both of these proposals).

Staff Recommendation: Keep this issue open – implementing policy legislation could affect the timing of bond expenditures and appropriation levels.

11. Shift Public Transportation Account Revenues to Pay General Fund Obligations (Trailer Bill Language). The Governor proposes to shift \$1.1 billion in Public Transportation Account (PTA) funds to pay the following State obligations, which are currently the responsibility of the General Fund:

- \$627 million for Home-to-School Transportation (currently Proposition 98).
- \$340 million for transportation-related general obligation bond debt.
- \$144 million for regional center transportation budgeted in the Department of Developmental Services.

Background / Detail: The PTA will receive an estimated \$617 million in “spillover” funds in 2007-08 – up from the revised estimate of \$549 million for 2006-07. The proposed shift would exceed the 2007-08 amount of the volatile spillover revenues, which have materialized in recent years due to high gasoline prices. The Administration indicates this shift will not have a major impact, in the short-term, on transit capital projects because of bond and other funding resources. However, the proposal does represent a reduction in what local transit agencies would otherwise receive for operations in 2007-08, and would, over the long-term, reduce funding available for mass transit capital projects through the State Transportation Improvement Program (STIP). The Administration indicates they intend to permanently redirect spillover funds to pay current General Fund obligations. If this proposal were approved and spillover revenue averages about \$600 million each year, the total loss to mass transportation over the next five years would total around \$3.5 billion (which is similar to the amount included in Proposition 1B for mass transit).

LAO Recommendation: In the Education Section of the *Analysis of the 2007-08 Budget Bill*, the Legislative Analyst recommends using a smaller amount of PTA funds on a one-time basis to support the Home-to-School Program in 2006-07 (\$300 million in 2006-07, instead of \$627 million in 2007-08 and ongoing). The Administration’s plan involves “re-benching” Proposition 98, which the LAO indicates is likely unconstitutional.

In the Transportation Section of the *Analysis*, the LAO recommends that the Administration report at the hearing how projects will be funded if the \$1.1 billion in PTA funding is diverted to other expenditures. The LAO recommends the Legislature develop priorities for PTA expenditures.

Issues for Discussion: Staff recommends the Subcommittee hear from the Administration and the LAO on the following issues:

- What would be the short-term and long-term impacts on mass transportation of adopting the Administration’s proposal?
- Would the Constitution prohibit the re-benching of Prop 98 as proposed by the Administration?

Staff Recommendation: Keep open for May Revision.

12. Non-Article XIX Funding (Trailer Bill Language). The Administration proposes to amend statute to permanently retain approximately \$85 million in annual miscellaneous revenues, which are not subject to the expenditure restrictions in Article XIX of the Constitution, in the State Highway Account (SHA) instead of transferring these revenues to the Public Transportation Account (as specified by Section 183.1 of the Streets and Highways Code). The Budget Bill includes Provision 17 of Item 2660-001-0042 to appropriate this funding for pavement maintenance, or SHOPP pavement work; and deletes the expenditure authority if the trailer bill to repeal Section 183.1 is not approved. (See also the related issue on Maintenance on the following page)

Background / Detail: This miscellaneous revenue is primarily derived from the rental and sale of Caltrans property originally purchased for highway purposes. Because the revenue is not restricted by Article XIX, it can be expended for either highway or mass transportation purposes. Prior to 2000-01, and the addition of Section 183.1, the funding was retained in the SHA. Since 2000-01, the funding has been transferred to the PTA, except in 2003-04 and 2004-05 when the funding was retained in the SHA by budget bill language.

Staff Comment: This proposal should be considered in the context of overall transportation funding (including the approval, modification, or rejection of the issue above to use PTA funds for General Fund obligations).

Staff Recommendation: Keep open for May Revision.

13. Maintenance Funding. The Administration requests a permanent increase of \$85.0 million for highway *pavement* preservation. The Department's *2007 Five-Year Maintenance Plan* recommends an additional annual investment of \$147.1 million including \$85.0 million for *pavement* and \$62.1 million for *bridges and culverts*. However, the Administration only included pavement funding in the budget proposal, indicating that the additional \$62.0 million of need may be funded in some future year if additional resources become available.

Background / Detail: According to the report, increasing pavement contract expenditures by \$85.0 million (to a new total of \$214.0 million) will eliminate the pavement backlog over 10 years. The proposed budget does not increase the contract budget for bridge preservation (existing funding of \$47 million) or culvert preservation (existing funding of \$5 million). If those areas received additional funding of \$62.1 million as outlined in the Maintenance Plan, the backlog would start to fall, but not be completely eliminated over 10 years. Caltrans indicates no additional bridge or culvert funding is requested because these projects will take a year to develop. The Maintenance Plan indicates that preservation work results in large State Highway Operation and Protection Program (SHOPP) savings in the out-years. The SHOPP savings compared to the Maintenance cost has a ratio of 6:1 for pavement, 12:1 for structures, and 5:1 for drainage. It should be noted, that the benefit-cost ratios do not encompass external costs, such as damage to private cars from rough highways, which would tend to increase the benefit for pavement work.

Related Budget Bill Language: The past two budget acts have included budget bill language to prohibit the redirection of pavement contract funding. In this year's budget bill, the Administration has amended the language to include bridges and culverts. Additionally, the funding amount was adjusted to include the total base funding of \$181.0 million, but does not include the new funding request of \$85.0 million. The language with the changes underlined is immediately below.

Provision 10 of Item 2660-001-0042:

Of the funds appropriated in this item, \$181,000,000 is for major maintenance contracts for the preservation of highway pavement, bridges, and culverts and shall not be used to supplant any other funding that would have been used for major pavement maintenance.

A new provision was added to the Budget Bill related to the \$85.0 million – see Provision 17 of Item 2660-001-0042. This provision specifies the funding would be available only for pavement, however, it would allow transfer of the funding to Item 2660-302-0042 for State Highway Operation and Protection Program (SHOPP) expenditures. The proposed language would also delete the expenditure authority if the trailer bill language to repeal Section 183.1 is not approved (see also the prior issue).

LAO Recommendation: In the *Analysis of the 2007-08 Budget Bill*, the Legislative Analyst recommends the Department report at the budget hearings on why it is not augmenting funds for structures and drainage preservation.

Staff Comment: The Administration ties this augmentation to a shift of \$85 million in non-Article XIX funding from the Public Transportation Account (PTA) to the State Highway Account (SHA). While that proposal affects SHA funding, action on this issue need not be linked to the non-Article XIX proposal because maintenance may be the highest-priority expenditure for base SHA resources (see also the prior issue).

Staff Recommendation: Amend the budget bill language to conform to the language in the past two budgets. Specifically, revise Provision 10 of Item 2660-001-0042 to change the amount to \$214.0 million and delete the words “bridges and culverts”. Since California’s pavement roughness has consistently been ranked among the worst across states, and rough pavement produces a hidden cost in the form of increased automobile repair costs, staff recommends the language restrict expenditure to pavement contracts to prevent redirection. Staff recommends the Subcommittee delete Provision 17 of Item 2660-001-0042 which would allow the Department to shift funding to the SHOPP program and restrict expenditure of funds if the Legislature does not adopt proposed trailer bill language. This request is similar to the broad authority requested to shift appropriation authority across Prop 1B bond programs. While the Legislature should consider requests to adjust funding between Maintenance and SHOPP programs during budget deliberations, the need for this broad authority to make changes within a fiscal year is not clear.

Vote:

14. Budget Bill Authority to Shift Appropriations (Staff Issue). The new authority requested by the Administration to shift Prop 1B appropriations across bond programs and the new authority requested to shift state operations maintenance funding to the SHOPP program, raise a broader issue of similar language in other budget bill appropriations.

Background / Detail: The budget bill includes language, consistent with past Budget Acts, to shift appropriation authority between the State Highway Operation and Protection Program (SHOPP) and State Transportation Improvement Program (STIP) appropriation items and between the SHOPP and STIP local assistance and capital outlay items. Also on a continuing basis, is authority to shift funding from: (1) a state operations item that funds California Highway Patrol work zone activity; and (2) a state operations item that funds Route 125 maintenance activity; both to SHOPP and STIP appropriation items. New for this budget bill, is requested language to shift appropriation authority from the stormwater maintenance appropriation item to the SHOPP appropriation item.

Staff Comment: The authority to shift between STIP and SHOPP and local assistance and capital outlay seems to have merit. This allows the California Transportation Commission (CTC) to shift allocations as some projects are delayed and others move forward. The authority to shift from the state operations items to the SHOPP and STIP is less clear. There is relatively little funding at issue (probably not more than a couple million) and the overall SHOPP/STIP program is sometimes cash-constrained, but staff is not aware of when it has been constrained by a lack of appropriation authority.

Staff Recommendation: Delete the following budget bill provisions which allow appropriation shifts from state operations appropriation items to SHOPP and STIP appropriation items:

- Subsection (b) of Provision 3 of Item 2660-001-0042
- Subsection (b) of Provision 8 of Item 2660-001-0042
- Provision 3 of Item 2660-007-0042

Vote:

15. Specialty Building Facilities Appropriation (Staff Issue). The Administration requests an appropriation of \$119.9 million (State Highway Account) in 2007-08 for specialty building facilities such as equipment facilities, maintenance facilities, material labs, and traffic management centers. This is an increase of \$65.2 million, or 120 percent from the amount appropriated in 2006-07.

Construction of Inland Empire TMC	\$22,782,000
In San Leandro –Shop 2401, remodel and upgrade equipment facility	\$3,384,000
Relocation of Red Bluff maintenance station	\$9,127,000
Rehabilitate Hayfork maintenance station	\$3,607,000
Reconstruct maintenance facilities at SFOBB	\$28,475,000
Upgrade maintenance station at Mountain Pass	\$1,061,000
Upgrade facility at Camp Angeles maintenance station	\$1,273,000
Enlarge truck shed, add bay doors at Peddler Hill and Caples Lake	\$7,494,000
Construct new Southern Regional Lab in Fontana	\$28,000,000
Phase IV Upgrade of Translab in Sacramento	\$9,336,000
Minor district projects affecting specialty facilities.	<u>\$5,370,000</u>
Total for Specialty Facilities.	\$119,909,000

Background / Detail: The Legislature added a budget bill appropriation to the 2005 Budget Act to separately track expenditures for specialty facilities. Prior to this change, funding was included in the general State Highway Operations and Protection Program (SHOPP) appropriation item. The new appropriation provides 3 years of availability to encumber the funds and has budget bill language (Provision 2) allowing any excess appropriation authority to be transferred to the SHOPP item or the State Transportation Improvement Program (STIP) item.

Staff Comment: Caltrans indicates that the San Francisco Oakland Bay Bridge maintenance station project (\$28.5 million) has been delayed and will not begin construction until 2008-09. Staff compared the above project list to the list of projects behind the 2006 Budget Act appropriation, and found that two projects were the same (the Inland Empire traffic management center [\$22.8 million] and the Red Bluff maintenance station [\$9.1 million]). Since these projects received an appropriation for 2006-07 that is good for three years, the need to include funding in this year's budget is unclear. Caltrans indicates that their intent is to shift excess 2006-07 funds to the main SHOPP appropriation item – although they did not include that shift in the Governor's Budget.

Similar to the discussion in the prior issues, Caltrans had budget bill authority to shift appropriation authority across budget items that seems unnecessary. There is excess State Highway Account authority in STIP and SHOPP exceeding \$1.5 billion that the Governor's Budget carries-over from 2006-07 to 2007-08. So the need to shift authority from the specialties facility item to the SHOPP or STIP items seems unnecessary.

March 29, 2007

Staff Recommendation: Reduce the Specialty Facilities appropriation item by \$60.4 million, and delete budget bill provision 2. Together with still-available authority from 2006-07, this would fully fund all the projects Caltrans indicates are ready to go in 2007-08.

Vote:

16. Fuel Cost Increase (BCP #1). The Administration requests a one-time augmentation of \$9.0 million (State Highway Account) to address higher fuel costs. The Department indicates its current base is \$26.9 million, which would be sufficient if fuel prices were in the range of \$2.04 per gallon. Caltrans received a one-time increase of \$5.2 million for 2006-07 which was based on a fuel cost assumption of \$2.33 per gallon. This year's request assumes fuel costs will average about \$2.64 per gallon.

Background/Detail: Caltrans indicates the \$2.64 price assumption ties to a June 2006 Federal Energy Information Agency projection. The Department expects to consume 13.6 million gallons of fuel in 2007-08, which matches 2005-06 usage. Since this is a one-time increase, Caltrans will likely submit a similar request next year for 2008-09 to update funding to the fuel price forecast of that time.

Staff Comment: Staff asked Caltrans to provide updated information from the Federal Energy Information Agency. Caltrans indicates that fuel prices are expected to average about \$3.01 per gallon in March 2007 and then moderate slightly over the next year to an average of \$2.85 per gallon in 2007-08. The Subcommittee may want to adjust the budget to tie to the updated forecast of 2007-08 fuel prices.

Staff Recommendation: Augment requested funding by \$2.856 million to tie to the updated fuel price forecast. (This would bring total one-time funding to \$11.9 million: \$9.0 million from the BCP plus \$2.9 million for the updated forecast).

Vote:

17. Public Safety Radio (BCP #5). The Department requests funding of \$7.2 million in 2007-08 and a total of \$19.6 million over five years, to convert the low band radio systems concentrated in the mountainous regions of District 10 (east of Stockton) to a high band system. The Department indicates that most Caltrans Districts (3, 4, 6, 7, 8, 9, 11, and 12) currently operate on high band, but four districts (1, 2, 5, and 10) still operation on low band. The Budget Change Proposal does not address the Administration's plans for the other Districts that operate with low band. Additional information provided by the Department suggests the total cost of upgrading radio systems in all four districts that operate currently on low band would be in the range of \$50 million.

Related Action in the 2006 Budget: Last year, budget trailer bill language added Section 8592.7 to the Government Code, which requires the following:

- (a) A budget proposal submitted by a state agency for support of a new or modified radio system shall be accompanied by a technical project plan that includes all of the following:*
 - (1) The scope of the project.*
 - (2) Alternatives considered.*
 - (3) Justification for the proposed solution.*
 - (4) A project implementation plan.*
 - (5) A proposed timeline.*
 - (6) Estimated costs by fiscal year.*
- (b) The committee shall review the plans submitted pursuant to subdivision (a) for consistency with the statewide integrated public safety communications strategic plan included in the annual report required pursuant to Section 8892.6.*
- (c) The Telecommunications Division of the Department of General Services shall review the plans submitted pursuant to subdivision (a) for consistency with the technical requirements of the statewide integrated public safety communication strategic plan included in the annual report required pursuant to Section 8592.6.*

The Budget Change Proposal was originally submitted without the accompanying materials required by Section 8592.7. The Department has since submitted letters from the Office of Emergency Services (OES) and the Department of General Services (DGS) indicating compliance with subsection (b) and (c) respectively. Caltrans provided an internal document titled, *800 MHZ Conversion Technical Project Plan Summary* to comply with subsection (a).

Statewide Strategic Communications Plan: The State has been working for over a decade to design a comprehensive emergency-communication system. In 1994, Caltrans, along with nine other public safety agencies and the Department of General Services (DGS), initiated a study called Public-Safety Radio Integrated Systems Management (PRISM). In 1997, the PRISM effort produced a cost estimate of \$3.5 billion. The high cost delayed action and technology continued to change. Currently, the Office of Emergency Services (OES) chairs the Public Safety Radio Strategic Planning Committee (PSRSPC). In January 2006, the PSRSPC released a status report which was the "first phase in the strategic plan for a newly envisioned statewide approach." The OES has not submitted this year's annual Statewide Integrated Public Safety Communications Strategic Plan that was due

January 1, 2007. Without this plan, staff is unable to assess the status of statewide activities to understand if the Caltrans plan is part of a comprehensive statewide public-safety-radio strategy or a stand-alone proposal to meet Caltrans needs.

High Band versus Low Band: The PRISM plan envisioned a statewide high-band system. One of the drivers of the high cost was that high-band signals do not travel great distances in mountainous regions resulting in the need for costly new towers and repeater equipment. Last year's OES report suggested the state was dropping the PRISM approach and moving toward a "system-of-systems" approach. The Subcommittee approved a BCP for a new California Highway Patrol (CHP) radio system that relies on low-band for intra-department communications, but that can also be switched to high-band for inter-agency communications. The "system-of-systems" approach and the CHP plan suggest that the state need not abandon all low band applications to achieve statewide interoperability.

Staff Comment: Last year, this Subcommittee had several discussions with OES, DGS, the California Highway Patrol, and the Office of Homeland Security concerning the importance of developing a comprehensive statewide public safety radio plan. The Subcommittee had asked the Administration to develop the plan so that future radio investment would be part of a comprehensive plan as opposed to stand-alone departmental efforts. The letter provided from DGS suggests that this Caltrans proposal is a stand-alone effort, with the Caltrans role in statewide interoperability to be determined only after implementation of this proposed project (in about 5 years).

Since the budget request only covers District 10, it is unclear what the Administration plans to do to the radio systems in Districts 1, 2, and 5. If those districts also need updated radio equipment, it may be beneficial to get a comprehensive plan and funding commitment from the Administration prior to moving forward with District 10.

Staff Recommendation: Reject this proposal. The Administration should return with a request when a comprehensive plan for Caltrans radio needs is developed that also achieves inter-agency interoperability goals.

Vote:

18. Intelligent Transportation Systems (BCPs 13, 14, 15). The Administration submitted three budget requests related to Intelligent Transportation Systems (ITS). ITS includes loop detectors that monitor freeway speed, changeable message signs, highway advisory radio, metering lights, and freeway cameras. These technologies communicate traffic conditions to drivers and reduce congestion.

- Budget Change Proposal #13 requests \$1.2 million in 2007-08 and \$1.1 million in 2008-09 to fund a two-year pilot project that will determine the effectiveness of purchasing real-time traffic data from private vendors. The private vendors would supply traffic speed information from Automatic Vehicle Location technologies, such as cellular signals, and/or other technologies. If this technology is viable, it may result in cost saving and traffic-congestion reduction because freeway loop detectors would no longer need to be installed and maintained.
- Budget Change Proposal #14 requests \$9.7 million (ongoing) and 40 positions in the Maintenance Program to increase maintenance and repair of new Intelligent Transportation System (ITS) field elements. The Department indicates that the number of traffic signals and ramp meters has increased by approximately 600 since positions were last increased in 1999, and ITS elements have increased by 2,400 units.
- Budget Change Proposal #15 requests \$1.5 million (ongoing) and 15 positions in the Highway Operations Program to increase operational support of the increasing number of Intelligent Transportation System (ITS) field elements. The Department indicates that the number of field elements has increased by 3,294 (225 percent) since the last staff increase for this purpose in 1997.

LAO Recommendation: In the Analysis of the 2007-08 Budget Bill, the Legislative Analyst finds BCP #13 (the two-year pilot project to purchase real-time traffic data) reasonable, but suggests the Legislature adopt supplemental report language directing the department to report on its experience.

Staff Recommendation: Approve these BCPs with the additional supplemental report language suggested by the LAO.

Vote:

19. Civil Service Custodial Staff (BCP #9). The Administration requests a net increase of \$98,000 (State Highway Account) and 6.0 new Custodian positions to convert janitorial service contracts to State staff. The Department indicates that the California State Employees Association has challenged the use of contract janitorial services at Caltrans offices in San Luis Obispo and Marysville. The Department of General Services is not available to perform these services in the two areas, so Caltrans proposes to directly staff this activity.

Staff Comment. The Department indicates that the State Personnel Board (SPB) ruled in favor of the union's challenge for Marysville, and that after the SPB action, Caltrans also hired civil service janitorial staff for San Luis Obispo.

Staff Recommendation: Approve this request.

Vote:

20. Sacramento Building Operations and Maintenance (BCP #9A). The Administration requests an increase of \$483,000 (State Highway Account) to reimburse the Department of General Services (DGS) for maintenance and operation of five Sacramento area departmental facilities. The total cost would be \$3.1 million, which Caltrans indicates is \$483,000 above their current base.

Background / Detail: In 2005-06, Caltrans submitted a BCP to add four maintenance positions (at Caltrans) at a cost of \$277,000 to perform building maintenance work. At that time, there were 31 DGS staff and 6 Caltrans staff maintaining the facilities. According to Government Code Section 14600, DGS was created to provide centralized services including, but not limited to, maintenance of state buildings and property.

The Legislature approved the funding increase, but shifted all the workload to DGS (shifted the existing 6 Caltrans positions and 4 new positions to DGS). At the time, Caltrans had indicated that shifting 10 positions of workload to DGS would result in a net cost of \$300,000 because DGS had higher overhead costs. The Subcommittee did not add the \$300,000 because it was not convinced that DGS had higher overhead costs as opposed to Caltrans undercounting its overhead savings associated with deleting 10 positions.

Staff Comment: The request appears to cover the same topic that the Legislature considered in 2005-06. It is still not clear why 10 positions at DGS would cost \$300,000 (or \$485,000) more than the same positions at Caltrans.

Staff Recommendation: Reject this proposal. Staff believes Caltrans is underestimating the overhead savings and other savings associated with moving positions to DGS – there should be no net cost and no need for additional funding.

Vote:

21. Environmental Enhancement and Mitigation (EEM) Program (Staff Issue). The Administration is proposing no funding for the EEM program in 2007-08. The EEM Program funds grants for projects such as hiking and biking trails, landscaping, and the acquisition of park and wildlife areas.

Background: The EEM Program was initiated by Chapter 106, Statutes of 1989, which provided for annual transfers of \$10 million from the State Highway Account (SHA) to the EEM Fund for a ten-year period. At the expiration of the ten-year period, the Legislature decided to continue funding at the \$10 million level and current statute cites the intent of the Legislature to allocate \$10 million annually to the EEM Program. Due to declining State Highway Account (SHA) balances, the EEM program was reduced in 2003-04 and 2004-05 to \$5 million each year, and the program received no funding in 2005-06.

The Legislature augmented the Governor's proposed 2006-07 budget by \$10 million (SHA) for EEM, and the augmentation was sustained. This year, the Administration proposes no funding for EEM, citing higher priorities for the funding.

Staff Recommendation: Restore EEM funding at the \$10 million level. Specifically, amend the budget bill to add a \$10 million transfer from the State Highway Account to the EEM Fund and add a \$10 million EEM appropriation item.

Vote:

22. Bicycle Account Grants (Staff Issue). The Governor's Budget includes \$5.0 million for local assistance bicycle grants, consistent with the level of funding specified in Street and Highways Code 2106. However, this is \$4.2 million less than 2006-07 funding and \$2.2 million less than 2005-06 funding.

Background / Detail: Senate Bill 1772 (Ch 834, St of 2000, Brulte) increased funding for bicycle facility grants from \$3.0 million to \$7.2 million through 2005-06, and then to \$5.0 million in 2006-07 and thereafter. Funding for 2006-07 was \$9.2 million (\$4.2 million more than the statutory level) because multiple years of interest earnings were included in the appropriation. Funding for the Bicycle Account comes from the Highway Users Tax Account. Absent the transfer to the Bicycle Account, the funding would otherwise be transferred to the State Highway Account.

According to the Caltrans website, 27 bicycle projects across the state will receive program funding in 2006-07. Local and other funding sources will match \$9.2 million in Bicycle Account funds for total project expenditures of \$27.3 million. The program is over subscribed.

Staff Comment: The Subcommittee may want to hear from Caltrans on the success of this program and consider the appropriate level of ongoing funding. If the Subcommittee votes to change the ongoing funding level, trailer bill language would be needed to amend Street and Highways Code 2106.

Staff Recommendation: Keep this open until after the May Revision, when a more complete picture of overall transportation funding will be available.

23. Confidential Contracts (Staff Issue). A recent Associated Press article indicated that Caltrans has at least 290 non-competitive contracts worth more than \$13 million which are treated as confidential. Caltrans indicates that these contracts are for expert witness contracts which are specifically exempt from public disclosure laws under Section 10731(g) of the Public Contract Code:

Public Contract Code Section 10731 (g) Any contract for consulting services awarded without competition shall be listed in the California State Contracts Register. The information contained in the listing shall include the contract recipient, amount, and services covered. The requirement of this subdivision shall not apply to any contract awarded without competition executed with an expert witness for purposes of civil litigation in a pending case.

Staff Comment: At the March 22, 2007, Subcommittee #4 hearing, a similar issue was discussed for the Department of Justice (DOJ). Caltrans has shared information on their contracts with Subcommittee staff and the information appears to be consistent with Section 10731 exemptions. The Subcommittee may want to ask Caltrans if it feels its use of confidential contracts is fully in compliance with Section 10731.

Staff Recommendation: Informational issue, no action necessary.

Attachment I: Information from HCD on Proposition 1C – Support Costs

<u>Program</u>	<u>Total Funding</u>	<u>Support 5%</u>	<u>Local Assistance</u>	<u>Estimated Support Cost</u>	<u>Percent</u>	<u>Dept.</u>	<u>Number of Awards</u>	<u>Avg Per Award</u>
<i>Homeownership Programs</i>								
CalHome	\$290,000,000	\$14,500,000	\$275,500,000	\$20,694,751	4.9%	HCD	342	\$800,000
Self-Help Housing Program	\$10,000,000	\$500,000	\$9,500,000	(Inc)		HCD	48	\$200,000
California Homeownership Program (BEGIN)	\$125,000,000	\$6,250,000	\$118,750,000	(Inc)		HCD	105	\$1,000,000
California Homebuyers Downpayment Assistance Program	\$100,000,000	\$5,000,000	\$95,000,000	\$5,000,000	5.0%	CalHFA		
Residential Development Loan Program	\$100,000,000	\$5,000,000	\$95,000,000	\$5,000,000	5.0%	CalHFA		
Affordable Housing Innovation Fund	\$100,000,000	\$5,000,000	\$95,000,000	\$5,000,000	5.0%	HCD		
<i>Multifamily Rental Housing Programs</i>								
Multifamily Housing Program - General	\$345,000,000	\$17,250,000	\$327,750,000	\$9,992,230	2.5%	HCD	54	\$6,000,000
Multifamily Housing - Supportive Housing	\$195,000,000	\$9,750,000	\$185,250,000	\$5,685,350	2.9%	HCD	61	\$3,000,000
Multifamily Housing for Homeless Youths	\$50,000,000	\$2,500,000	\$47,500,000	(Inc in MHP)		HCD	16	\$3,000,000
<i>Other Programs</i>								
Serna Farmworker - Loans/Grants ¹	\$135,000,000	\$6,750,000	\$128,250,000	\$12,237,141	9.1%	HCD	42	\$3,000,000
Emergency Housing Assistance	\$50,000,000	\$2,500,000	\$47,500,000	\$2,520,397	5.0%	HCD	64	\$750,000
Infill Incentives Grant	\$850,000,000	\$42,500,000	\$807,500,000	\$42,500,000	5.0%	HCD		
Transit Oriented Development	\$300,000,000	\$15,000,000	\$285,000,000	\$14,886,519	5.0%	HCD	60	\$4,750,000
Housing Urban-Suburban and Rural Parks	\$200,000,000	\$10,000,000	\$190,000,000	\$10,000,000	5.0%	HCD		
GRAND TOTALS	\$2,850,000,000	\$142,500,000	\$2,707,500,000	\$133,516,388	4.7%		792	

¹ Assumes passage of legislation for interest repayment (.42%) on Multi-family portion.

Attachment II: Information from HCD on Proposition 1C – Multi-Year Expenditure Plan

<i>Homeownership Programs</i>	Total	2006-07	2007-08	2008-09	2009-2010	2010-2011
CalHome	\$290,000,000	\$35,000,000	\$55,000,000	\$55,000,000	\$55,000,000	\$55,000,000
BEGIN Program	\$125,000,000	\$0	\$40,000,000	\$40,000,000	\$38,000,000	\$0
Self-Help Housing Program	\$10,000,000	\$0	\$3,000,000	\$3,000,000	\$3,500,000	\$0
California Homebuyers Downpayment Assistance Program	\$100,000,000	\$0	\$15,000,000	\$30,000,000	\$30,000,000	\$20,000,000
Residential Development Loan Program	\$100,000,000	\$0	\$15,000,000	\$30,000,000	\$30,000,000	\$20,000,000
Affordable Innovation	\$100,000,000	\$0	\$15,000,000	\$30,000,000	\$30,000,000	\$20,000,000
<i>Multifamily Rental Housing Programs</i>						
Multifamily Housing Program - General	\$345,000,000	\$70,000,000	\$140,000,000	\$104,000,000	\$0	\$0
Multifamily Housing - Supportive Housing	\$195,000,000	\$20,000,000	\$80,000,000	\$78,000,000	\$0	\$0
Homeless Youth Housing	\$50,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$0	\$0
<i>Other Programs</i>						
Serna Farmworker	\$135,000,000	\$20,000,000	\$40,000,000	\$40,000,000	\$22,000,000	\$0
Emergency Housing Assistance	\$50,000,000	\$0	\$10,000,000	\$24,000,000	\$13,000,000	\$0
Infill Incentives Grant	\$850,000,000	\$0	\$100,000,000	\$200,000,000	\$200,000,000	\$200,000,000
Transit Oriented Development	\$300,000,000	\$0	\$95,000,000	\$95,000,000	\$95,000,000	\$0
Housing Urban-Suburban and Rural Parks	200,000,000	\$0	\$30,000,000	\$40,000,000	\$40,000,000	\$40,000,000
Grand Total	\$2,850,000,000	\$160,000,000	\$653,000,000	\$784,000,000	\$556,500,000	\$355,000,000